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BEFORE THE ARIZONA CORPORATION
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IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS
SUN CITY WATER DISTRICT

DOCKET NO. W-01303A-09-0343

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IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT

DOCKET NO. SW-01303A-09-0343

Arizona Corporation Commission
DOCKETED

FEB 22 2010



DIRECT TESTIMONY
REGARDING ISSUES OTHER THAN RATE STRUCTURE
OF
DESI HOWE
ON BEHALF OF
ANTHEM GOLF AND COUNTRY CLUB
FEBRUARY 22, 2009

BROWNSTEIN HYATT FARBER SCHRECK, LLP
21 East Carrillo Street
Santa Barbara, CA 93101

1 **EXECUTIVE SUMMARY**

2
3 Desi Howe testifies that:

4 The Anthem Golf and Country Club (the "Club") is a 36-hole championship golf course. In
5 addition to two golf courses, the Club features two clubhouses, tennis courts, pools, spa services,
6 formal and casual dining, golf shops, locker rooms, and fitness facilities.

7 The Club is the largest non-potable irrigation water customer in the Anthem District. The Club
8 maintains the courses through irrigation with reclaimed water provided by Arizona American Water
9 Company ("AAWC") subject to its non-potable irrigation rate. Based on the Anthem community's
10 location and a Maricopa County ordinance precluding the Club's extraction of groundwater for
11 irrigation purposes, AAWC represents the Club's sole irrigation water supply. The primary
12 component of the irrigation water delivered to the Club is treated wastewater effluent.

13 The proposed non-potable irrigation rate increase from the present rate of \$1.43/1,000 gallons to
14 ~\$2.92/1,000 gallons represents a 104.2% increase in water rates. If approved, since 2008, the rate
15 will have been raised from \$0.62/1,000 gallons to \$2.92/1,000 gallons – an increase of greater than
16 370%. Assuming the proposed rate increase takes effect, the Club's annual irrigation water costs
17 will increase from approximately \$600,000 per year to more than \$1.2 million per year. Irrigation
18 water is the largest component of the Club's annual utilities budget and this increase would make
19 water an even larger component of the Club's current budget.

20 Without water for irrigation, the Club could not continue its operations, and the corresponding
21 benefits provided by the Club to the community – the recreational opportunities, the aesthetic
22 impacts of maintaining a green course, as well as the increase in real estate values realized by
23 homeowners within the community due to the proximity and availability of the Club – would cease.
24 A rate increase that undermines the Club's ability to operate profitably not only might deprive the
25 Anthem community of these benefits, but might further disrupt the unstable real estate market in the
26 community, where many homes are already in foreclosure proceedings.
27
28

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Charles Desmond "Desi" Howe, Jr. My business address is 2708 W. Anthem
5 Club Drive, Anthem, Arizona 85086, and my business phone is 623-742-6201.
6

7 **Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?**

8 A. I am employed by Anthem Golf and Country Club (the "Club") as its General Manager.
9

10 **Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE CLUB.**

11 A. I am responsible for the management and operations of Anthem Golf and Country Club. I
12 also act as a regional manager and I am additionally responsible for the management and operations
13 of Gainey Ranch Golf Club and Seville Golf & Country Club.

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.**

15 A. I have a Bachelor of Arts degree from Heidelberg College. I have over 18 years of
16 experience in the golf and hospitality industries and I have worked at all types of facilities in the
17 United States, including many world renowned resorts and country clubs.

18 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION BEFORE?**

19 A. No. On behalf of the Club, I provided comments on AAWC's last rate Anthem District
20 proposed rate increases, including comments on the Recommended Opinion & Order, in the
21 proceedings under Docket No. WS-01303A-06-0403.
22

23 **II. PURPOSE OF TESTIMONY**

24 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

25 A. My testimony is intended to describe the Club's use of water received from Arizona-
26 American Water Company (AAWC) for the Club's irrigation purposes, and to outline the potential
27 impacts of the proposed rate increase. Pursuant to the September 24, 2009 Procedural Order in
28 these proceedings, this testimony pertains to all issues other than rate design. The Club will submit

1 separate testimony regarding rate design.

2 **III. DESCRIPTION OF CLUB OPERATIONS**

3 **Q. WHERE IS ANTHEM GOLF AND COUNTRY CLUB LOCATED?**

4 A. The Anthem Golf and Country Club ("the Club") is located in Anthem, Arizona and in
5 Maricopa County. The Club lies within the AAWC's Anthem Water District.
6

7 **Q. PLEASE DESCRIBE THE CLUB'S ACTIVITIES.**

8 A. The Anthem Golf and Country Club (the "Club") is a 36-hole championship golf course,
9 consisting of the Ironwood and Persimmon 18-hole courses. Tucked into the quiet beauty of the
10 high Sonoran desert foothills, the unique hillside setting provides extraordinary mountainous views.
11 In addition to the 36 holes of golf, the Club features two clubhouses, tennis courts, pools, spa
12 services, formal and casual dining, golf shops, locker rooms, and two fitness facilities. The Club
13 currently has 585 memberships providing golf privileges to the Club's courses. Additionally, each
14 of the over 2,860 lot owners within the Anthem community are considered social members of the
15 Club and have membership privileges to the Club's social and fitness facilities, as well as reduced
16 greens fees for use of the Club's courses.

17 **IV. DESCRIPTION OF THE CLUB'S IRRIGATION WATER USE**

18 **Q. WHO IS THE WATER PROVIDER FOR THE CLUB?**

19 A. The Club receives water from AAWC subject to its non-potable irrigation rate. The Club is
20 the largest non-potable irrigation water customer in the Anthem District. Based on the Anthem
21 community's location and a Maricopa County ordinance precluding the Club's extraction of
22 groundwater for irrigation purposes, AAWC's deliveries of non-potable irrigation water represent
23 the Club's sole irrigation water supply.

24 **Q. PLEASE DESCRIBE THE CLUB'S IRRIGATION WATER USE.**

25 A. The Ironwood and Persimmon courses are permitted to be irrigated with reclaimed water,
26 pursuant to two Arizona Department of Environmental Quality reclaimed water permits.
27 The Club's irrigation water demands are relatively consistent, with the primary variable affecting its
28 water use from year to year being the weather, which is outside the Club's control. The Club's

1 average irrigation water use from 2007-2009 was just under 405 million gallons per year, with a less
2 than 5% variation from year to year.

3 **Q. WHAT IS THE SOURCE OF THE CLUB'S NON-POTABLE IRRIGATION**
4 **WATER?**

5 A. The primary component of the irrigation water AAWC delivers to the Club is treated
6 wastewater effluent. This is water that is already being delivered to the community for residential
7 or commercial use, and there is no additional infrastructure necessary to deliver it to the community
8 –the reclaimed water is simply water that has already served its initial purpose that is being reused.

9 **V. DESCRIPTION OF PROPOSED RATE INCREASE AND POSSIBLE IMPACTS ON**
10 **THE CLUB**

11 **Q. PLEASE SUMMARIZE THE PROPOSED RATE INCREASE.**

12 A. In the present rate proceeding, AAWC is proposing to increase the Anthem District non-
13 potable irrigation rate by 104.2 % from the present rate of \$1.43/1,000 gallons to approximately
14 \$2.92/1,000 gallons. If the Commission approves AAWC's proposal, pursuant to a decision in this
15 proceeding and the Commission's June 2008 Decision No. 70372 in Docket WS-01303A-06-0403,
16 since June 2008, AAWC's non-potable irrigation rate in the Anthem District will have risen from
17 \$0.62/1,000 gallons to \$2.92/1,000 gallons – an increase of greater than 370%.

18 **Q. PLEASE EXPLAIN THE POSSIBLE IMPACTS OF THE PROPOSED RATE**
19 **INCREASE ON THE CLUB AND ITS OPERATIONS.**

20 A. If the Commission approves AAWC's proposed non-potable irrigation rate increase, the
21 Club's annual irrigation water costs will increase from approximately \$600,000 per year to \$1.2
22 million per year. Irrigation water is the largest component of the Club's annual utilities budget,
23 representing over one half the total budget. The proposed 104.2% increase would raise the Club's
24 irrigation water costs from one half to almost 75% of its annual utilities budget. Unfortunately, if
25 the Commission grants the proposed increase in irrigation rates, the Club's operation costs would
26 rise significantly, which would be borne by the Club's.

27 Without water for irrigation, the Club could not continue its operations, and the corresponding
28 benefits provided by the Club to the community – the recreational opportunities, the aesthetic

1 impacts of maintaining a green course, as well as the increase in real estate values realized by
2 homeowners within the community due to the proximity and availability of the Club – would cease.
3 A rate increase that undermines the Club’s ability to operate profitably not only might deprive the
4 Anthem community of these benefits, but might further disrupt the unstable real estate market in the
5 community, where many homes are already in foreclosure proceedings.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY REGARDING ALL**
7 **ISSUES OTHER THAN RATE DESIGN?**

8 A. Yes.
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PROOF OF SERVICE

ORIGINAL and thirteen (13) copies of the
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this 19th day of February 2010 with:

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Copy of the foregoing served,
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Dated: February 19, 2010



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